

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	
CENTRAL RURAL TELEPHONE)	CASE NO.
COOPERATIVE CORPORATION, INC. FOR A)	2017-00092
GENERAL ADJUSTMENT IN RATES)	

ORDER

On April 28, 2017, South Central Rural Telephone Cooperative Corporation, Inc. (“South Central Rural Telephone”) filed a motion for waiver of certain rate application filing requirements contemporaneously with tendering its application requesting authorization to adjust its rates and charges for basic local exchange service.

In its motion, South Central Rural Telephone requested a waiver from the following filing requirements and subparts of 807 KAR 5:001:

- Section 16(4)(b), which requires the filing of prepared testimony of each witness who will support the application.

South Central Rural Telephone requested a waiver from this requirement because a detailed narrative explanation of the proposed rate adjustment, which complies with a Federal Communications Commission (“FCC”) order and is not driven by a financial need, was submitted as Exhibit 1 of the application, and thus does not require further explanation through prepared testimony.

- Section 16(4)(h), which requires a summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

South Central Rural Telephone requested a waiver from this requirement to the extent that it must provide information in addition to the 2016 Rural Utilities Service (“RUS”) operating report submitted with the application as Exhibit 5, which contains financial information regarding South Central Rural Telephone’s revenue position compared to its required operating revenues. South Central Rural Telephone argues that the proposed rate adjustment will be offset by revenue reductions imposed by the FCC’s reduction of access revenues from intercarrier compensation, and thus, no or nominal additional revenue is expected from the proposed rate adjustment.

- Section 16(4)(i), which requires the reconciliation of rate base and capital used to determine revenue requirements.

South Central Rural Telephone requested a waiver from this requirement because the proposed rate adjustment is based on a rate floor set by the FCC, not on rate base and capital.

- Section 16(4)(n), which requires the summary of the latest depreciation study with a schedule identifying current and test-period depreciation rates used by major plant accounts.

South Central Rural Telephone requested a waiver from this requirement because its current and test-period depreciation rates used by major plant accounts are on file with the Commission in South Central Rural Telephone’s application in Case No. 2016-00045.¹ South Central Rural Telephone states that the rates are the Commission’s average depreciation rates, and they have not changed. South Central Rural Telephone

¹ Case No. 2014-00045, Application of South Central Rural Telephone Cooperative Corporation for a General Adjustment in Rates (filed Oct. 16, 2014), Application, Exhibit 7.

further states that since the proposed rate adjustment is based on a rate floor set by the FCC, it has provided sufficient information to allow the Commission to efficiently evaluate the application.

- Section 16(4)(r), which requires the monthly managerial reports providing financial results of operations for the 12 months in the test period.

South Central Rural Telephone requested a waiver from this requirement because its most recent annual financial report to its members is submitted with its application as Exhibit 7. South Central Rural Telephone has also provided its most recent independent auditor's opinion letter with its application as Exhibit 6.

- Section 16(5), which allows, upon good cause shown, a utility to request pro forma adjustments for known and measurable changes to ensure fair, just, and reasonable rates based on the historical test period, and which requires any such adjustments to be supported by specific financial and statistical information.

South Central Rural Telephone requested a waiver from this requirement because its application does not include any pro forma adjustments.

Based on a review of South Central Rural Telephone's motion and rate application, the Commission finds that:

1. South Central Rural Telephone's application has been filed to comply with an FCC mandate which specifies a rate floor for basic exchange service.

2. Based on the FCC rate mandate, South Central Rural Telephone has shown good cause to permit it to deviate from the filing requirements of 807 KAR 5:001, Sections 16(4)(b), 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(r), and 16(5), and its request for a waiver from the filing requirements should be granted.

3. The Commission, on its own motion, finds that South Central Rural Telephone's 2016 annual financial report on file with the Commission should be incorporated into the record by reference only.

4. Pursuant to KRS 278.180(1), the proposed rates cannot become effective for 30 days from the date of this Order.

IT IS THEREFORE ORDERED that:

1. South Central Rural Telephone's request for a deviation from the filing requirements of 807 KAR 5:001, Sections 16(4)(b), 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(r), and 16(5), is granted.

2. South Central Rural Telephone's 2016 annual financial report on file with the Commission is incorporated into the record by reference only.

3. South Central Rural Telephone's application is deemed filed as of the date of this Order.

4. Pursuant to KRS 278.180(1), the proposed rates cannot become effective for 30 days from the date of this Order.

By the Commission

ENTERED
MAY 16 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00092

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